

# South Carolina Department of Insurance

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## BULLETIN NUMBER 2008-17

TO: All Licensed Insurers Writing Property Insurance in South Carolina

FROM: Scott H. Richardson, CPCU   
Director

SUBJECT: Coastal Premium Tax Credit for Licensed Insurers

DATE: September 17, 2008

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### I. Purpose

Section 38-7-200 of the Omnibus Coastal Property Insurance Reform Act of 2007 establishes a Coastal Premium Tax Credit for licensed insurers writing new property insurance policies in South Carolina. The Coastal Premium Tax Credit reduces premium taxes for new insurance policies that provide property and casualty coverage (including coverage against the perils of wind and hail) on risks located in the area served by the South Carolina Wind and Hail Underwriting Association (Wind Pool). Insurers writing new policies are eligible to receive a twenty-five (25%) percent tax reduction against the amount otherwise due under 38-7-20 and 38-7-40. The effective date of the new policy must be after December 31, 2007. Only insurance policies covering residential risks for dwellings, mobile homes, condominiums, and insurance policies providing coverage for commercial property risks are eligible for this credit.

### II. Questions and Answers

What follows are some of the questions the Department has received regarding this tax credit.

1. **What insurance policies are eligible?** The credit applies to new insurance policies issued providing property and casualty coverage (that specifically include wind and hail coverage) on risks in the area served by the South Carolina Wind and Hail Underwriting Association, as defined by statute. Both residential and commercial policies are eligible for the credit.
2. **Are policies issued by Excess and Surplus lines carriers eligible for the Coastal Premium Tax Credit?**  
No, the intent of the General Assembly is the Coastal Tax Credit would only apply to insurance policies issued by licensed insurance companies. As such, Excess and Surplus lines carriers are not eligible to receive this credit.

**3. When does the Coastal Premium Tax Credit take effect?**

The Coastal Tax Credit applies to new property and casualty insurance policies with an effective date after December 31, 2007. Insurance companies may begin taking this credit with their first quarter tax payment due on June 1, 2008.

**4. May a company take the Coastal Premium Tax Credit on renewal business?**

No, a company may only take the Coastal Tax Credit once per structure, when the policy is first issued. Subsequent renewal of an existing policy is not eligible.

**5. How does an insurance company file for the Coastal Premium Tax Credit?**

An insurance company may reduce their quarterly tax payments by the amount of the computed tax credit (rounded to whole dollars). In order to receive the credit, an insurance company must report the policy number, policy effective date, street address, county name and number, zip code and direct written premium for new policies issued in the area served by the South Carolina Wind and Hail Underwriting Association. The attached forms (See Form CPCT 1001, and CPCT 1002, Commercial and Personal property exhibits respectively) must be included with the insurance company's quarterly premium tax installment coupon in order to receive the credit and reduce the quarterly tax installment. Please include only quarterly data with each submission. The forms are in Excel format. Please submit a hard copy with your submission and simultaneously send the excel sheet via email to the following address: [PremTaxCredit@doi.sc.gov](mailto:PremTaxCredit@doi.sc.gov). The total of all quarterly Coastal Premium Tax Credits must be reflected on the "2008 Fee and Tax Return for Property, Casualty, and Allied Lines Insurers" and should reconcile to the amount claimed for all quarters. The amount of the Coastal Premium Tax Credit must be rounded to whole dollars.

**6. What documentation should be maintained by an insurance company claiming the tax credit?**

An insurance company shall maintain supporting documentation of all policies claimed as eligible for the Coastal Property Tax Credit. This documentation should be maintained by calendar year and indicate policy number, policy effective date, street address, county number, zip code, and direct written premium for new business. All supporting documentation shall be maintained for five years and is subject to audit by the Department of Insurance.

Please do not hesitate to contact Mary Sturkie if you have any questions<sup>1</sup>. Ms. Sturkie can be reached at (803) 737-6082 or via email at [msturkie@doi.sc.gov](mailto:msturkie@doi.sc.gov).

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